

Message Text

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C O N F I D E N T I A L HONG KONG 1833

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FOR ASSISTANT SECRETARY HABIB FROM CROSS

E.O. 11652: GDS

TAGS: ETRD HK US

SUBJECT: GSP--HONG KONG

1. HK GOVERNOR, SIR MURRAY MACLEHOSE, CALLED ME IN TODAY TO UNDERLINE HKG'S CONCERN OVER HK'S STATUS IN GSP. AS YOU KNOW, WE HAVE BEEN TALKING TO OTHER LEVELS OF HK GOVERNMENT ABOUT THIS PROBLEM, BUT MACLEHOSE MADE THIS RARE GESTURE FOR THE FIRST TIME ON THIS SUBJECT SINCE HE SAW DAVE OSBORN IN FEBRUARY, 1972. HE PROVIDED A TYPICALLY UNDERSTATED SPEAKING NOTE WHICH IS REPRODUCED BELOW.

2. QUOTE:

I BELIEVE YOU ARE FULLY AWARE OF THE ECONOMIC PROBLEMS WHICH EXCLUSION FROM THE LIST WOULD CAUSE HONG KONG, NOT ONLY IN RELATION TO THE IMMEDIATE DIFFICULTY CAUSED BY THE DIVERSION OF TRADE TO OUR COMPETITORS, BUT ALSO BY THE LONG TERM EFFECTS ON NEW INVESTMENT. AT A TIME WHEN HONG KONG IS CONCERNED TO BROADEN ITS EXISTING NARROW INDUSTRIAL BASE, SUCH DISCRIMINATION WILL MAKE IT MORE DIFFICULT TO ATTRACT NEW INDUSTRIES WHICH WE NEED TO DIVERSIFY OUR MANUFACTURING SECTOR. IN ADDITION TO THESE FACTORS, THERE ARE ALSO POLITICAL AND PSYCHOLOGICAL ASPECTS.

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3. "HONG KONG ENJOYS GOOD RELATIONS WITH THE UNITED

STATES IN TRADE MATTERS. THE UNITED STATES IS HONG KONG'S THIRD LARGEST SUPPLIER OF IMPORTS AND US PRIVATE INTERESTS HAVE CONSIDERABLE INVESTMENTS IN HONG KONG. DISCRIMINATION AGAINST HONG KONG IN FAVOR OF TAIWAN, SOUTH KOREA AND SINGAPORE WILL BE SEEN LOCALLY AS UNREASONABLE AND AS UNFAIR COMPARISON OF THE ECONOMIC DEVELOPMENT NEEDS OF THESE THREE PLACES AND HONG KONG. IT WILL ALSO HAVE THE EFFECT OF ERODING HONG KONG'S COMPETITIVE POSITION IN THE US MARKET AT A CRITICAL TIME IN HONG KONG'S HISTORY. WE ALREADY HAVE PROBLEMS OF UNEMPLOYMENT AND UNDER-EMPLOYMENT.

4. "WE ARE SURPRISED THAT OUR DEVELOPING STATUS CAN STILL BE IN DOUBT WHEN WE HAVE ALREADY BEEN INCLUDED AS A BENEFICIARY IN THE GSP OF ALL THE MAJOR DEVELOPED MARKET ECONOMIES, INCLUDING THE EUROPEAN COMMUNITY.

5. "ALL THE EXTENSIVE PROJECTS TO IMPROVE HOUSING, SOCIAL WELFARE, EDUCATION, PUBLIC TRANSPORT, ETC., ON WHICH THE HONG KONG GOVERNMENT ARE NOW EMBARKED HAVE TO BE ULTIMATELY FINANCED BY OUR TRADE. THE GENERAL WELFARE OF HONG KONG'S PEOPLE IS BEING ADVERSELY AFFECTED BY THE PRESENT ECONOMIC SITUATION IN THEIR WORLD; BUT IT COULD BE EVEN MORE SERIOUSLY AFFECTED BY ANY TRADE MEASURE DISCRIMINATING AGAINST HONG KONG, IN PARTICULAR WHEN HER CLOSEST ASIAN COMPETITORS FOR THE AMERICAN MARKET WILL GET THE BENEFITS OF THE US GSP. END QUOTE.

6. IN EXPANDING ON LAST POINT, GOVERNOR SAID THAT HIS PROGRAMS ARE RUNNING INTO SERIOUS OPPOSITION FROM MAJOR FINANCIAL ELEMENTS IN HK, WHO WOULD BE ONLY TOO GLAD TO SHELVE THEM ON GROUNDS OF INSUFFICIENT GOVERNMENT REVENUE. IN THIS CONNECTION, GOVERNOR MENTIONED HK'S DRUG EFFORT SAYING THAT WHILE THERE IS NO QUESTION THAT HK WILL CONTINUE ITS VIGOROUS PROGRAMS ON ALL ASPECTS OF NARCOTICS, IT WOULD NOT APPEAR VERY COOPERATIVE ON US PART IF OUR TRADE POLICIES REDUCED HKG REVENUES. ENDING ON A PRIVATE

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NOTE, HE ASKED THAT I CONVEY TO YOU HIS PERSONAL GREAT DISAPPOINTMENT SHOULD THE UNITED STATES CONTRIBUTE TO UNDERMINING THESE PROGRAMS. (COMMENT: AS WE HAVE REPORTED BEFORE, THE GOVERNOR IS DEFINITELY IN REAL TROUBLE ON THIS; FAILURE OF THESE PROGRAMS WOULD HAVE WIDE-RANGING RAMIFICATIONS AS FAR AS HK'S ULTIMATE SECURITY AND VIABILITY.)

7. IN THIS INTERVIEW, THE GOVERNOR IMPRESSED ME AS

MORE THAN SIMPLY A GOOD GENERAL LOOKING OUT FOR HIS
TROOPS. HE IS FIGHTING TO KEEP HIS SOCIAL PROGRAMS
INTACT AND IS GENUINELY CONCERNED ABOUT THE
PSYCHOLOGICAL IMPACT THAT EXCLUSION WOULD ENTAIL.
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